

## Message Text

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21

ACTION EUR-12

INFO OCT-01 IO-11 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07

L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

OMB-01 AID-05 SAM-01 EB-07 COME-00 TRSE-00 FRB-03

XMB-02 CIEP-01 OPIC-03 /093 W

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R 111720Z FEB 76

FM AMEMBASSY BONN

TO SECSTATE WASHDC 6411

INFO USMISSION OECD PARIS

USMISSION EC BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

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USMISSION NATO BRUSSELS

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AMEMBASSY BRUSSELS

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E.O. 11652: N/A

TAGS: PFOR, PO, GW, UN, EEC, EFIN

SUBJ: FRG AID TO PORTUGAL

REF: (A) BONN 2220; (B) BONN 20723, DEC 23, 1975

1. BEGIN SUMMARY. MFA OFFICIAL HANDLING ECONOMIC  
RELATIONS WITH PORTUGAL BRIEFED EMBOFF FEBRUARY 10  
ON STATUS OF GERMAN BILATERAL AID, PROPOSED  
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INVESTMENT GUARANTY AGREEMENT, AND REVIVAL OF GERMAN-

PORUGUESE ECONOMIC COMMISSION. ACCORDING TO THIS SOURCE, FRG EVALUATION OF RIO MONDEGO IRRIGATION PROJECT IS ALMOST COMPLETED, SO THAT PROJECT SHOULD SOON BE UNDERWAY. IN ADDITION TO DEVELOPMENT AND BALANCE OF PAYMENTS ASSISTANCE, FRG BELIEVES IT IS VITAL TO RESTORE CONFIDENCE OF GERMAN FIRMS HAVING DIRECT INVESTMENTS IN PORTUGAL. END SUMMARY.

2. FRG KREDITANSTALT FUER WIEDERAUFBU, WHICH HAS RESPONSIBILITY FOR IMPLEMENTING FRG CAPITAL ASSISTANCE PROJECTS, IS SENDING TEAM TO PORTUGAL IN MID-FEBRUARY TO MAKE FINAL EVALUATION OF RIO MONDEGO PROJECT. DM 70 MILLION FRG CREDIT WILL BE USED PRIMARILY FOR FOREIGN EXCHANGE COSTS, BUT THERE IS SOME LIKELIHOOD THAT A SMALL SHARE OF THIS CREDIT WILL BE USED FOR LOCAL PROCUREMENT. PRESENT FRG PROJECT IS LIMITED TO IRRIGATION AND DRAINAGE FACILITIES, BUT FRG IS CONTEMPLATING ADDITIONAL PROJECTS IN RIO MONDEGO VALLEY IF THIS FIRST PROJECT IS SUCCESSFUL. DM 70 MILLION CREDIT WAS APPROVED AS PART OF THE FRG'S 1975 BUDGET FOR DEVELOPMENT ASSISTANCE, AND HAS BEEN CARRIED OVER INTO 1976. FRG MAY PROVIDE ADDITIONAL CAPITAL ASSISTANCE IN 1976 BUDGET, IF IT IS NEEDED FOR RIO MONDEGO PROJECT. HOWEVER, AT THIS POINT THE GRANTING OF ADDITIONAL AID IN 1976 REMAINS PROBLEMATICAL. DM 70 MILLION CREDIT IS PROBABLY SUFFICIENT TO COVER DISBURSEMENTS FOR RIO MONDEGO FOR SOME TIME, AND PORTUGUESE THEMSELVES HAVE NOT REQUESTED FRG ASSISTANCE FOR ANY OTHER PROJECTS. MOREOVER, FRG CONTRIBUTION TO INTEREST SUBSIDIES FOR 30 MILLION UA LOANS BY EUROPEAN INVESTMENT BANK WILL HAVE TO COME OUT OF ECONOMIC COOPERATION MINISTRY'S BUDGET. IT IS NOT LIKELY THAT GERMAN AID OFFICIALS WILL WANT TO ALLOCATE VERY MUCH IN ADDITION TO PORTUGAL OUT OF 1976 BUDGET, GIVEN THE FRG POLICY OF CONCENTRATING DEVELOPMENT AID ON THE LEAST DEVELOPED COUNTRIES.

3. THE FRG IS PLANNING TO SEND TEAM TO LISBON IN LATE MARCH OR EARLY APRIL TO NEGOTIATE AN INVESTMENT GUARANTY AGREEMENT ON BASIS OF FRG MODEL AGREEMENT.  
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PORUGUESE HAVE HAD COPY OF MODEL AGREEMENT FOR SOME TIME AND HAVE NOT INDICATED THAT THEY HAVE ANY PROBLEMS WITH IT, BUT OUR SOURCE DID NOT DISCOUNT POSSIBILITY OF DIFFICULT NEGOTIATONS.

4. AS AN ADDITIONAL MEASURE FOR ENCOURAGING PRIVATE INVESTMENT THE GERMAN-PORUGUESE ECONOMIC COMMISSION WILL BE RE-ESTABLISHED. IT WILL BE A MIXED COMMISSION

OF GOVERNMENT AND BUSINESS REPRESENTATIVES, CHAIRED  
ON THE FRG SIDE BY MFA. IT IS INTENDED TO SERVE  
PRIMARILY AS A FORUM FOR DISCUSSING PROBLEMS RELATED  
TO GERMAN INVESTMENTS IN PORTUGAL AND OTHER ISSUES  
OF CONCERN TO GERMAN BUSINESS COMMUNITY. MIXED  
COMMISSION WAS FIRST ESTABLISHED IN 1950'S, AT A TIME  
WHEN GERMAN FIRMS WERE FIRST RE-ENTERING PORTUGAL,  
AND PROVED QUITE USEFUL AT THAT TIME. ONCE GERMAN  
FIRMS WERE FIRMLY ESTABLISHED, THIS EARLY MIXED  
COMMISSION FELL INTO DISUSE.

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## Message Attributes

**Automatic Decaptoning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** IRRIGATION, FOREIGN ASSISTANCE, PROGRAMS (PROJECTS)  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 11 FEB 1976  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** morefirh  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1976BONN02397  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D760053-0165  
**From:** BONN  
**Handling Restrictions:** n/a  
**Image Path:**  
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**Line Count:** 126  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION EUR  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 76 BONN 2220, 76 BONN 20723  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** morefirh  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 26 MAR 2004  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <26 MAR 2004 by ElyME>; APPROVED <30 JUN 2004 by morefirh>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
04 MAY 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** FRG AID TO PORTUGAL  
**TAGS:** PFOR, EFIN, PO, GE, UN, EEC  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006